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ASD(ISA)  
695-6509

November 4, 1980  
NUMBER 2035.1

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ASD(ISA)

## Department of Defense Directive

SUBJECT Defense Economic Cooperation with Canada

References:

- (a) DoD Directive 2035.1, subject as above, July 28, 1960 (hereby canceled)
- (b) Agreement Relating to Economic Cooperation for Defense - Exchange of Notes at Washington October 26, 1950 (I UST 716, TIAS 2136; 132 UNTS 247)
- (c) Defense Acquisition Regulation (DAR), Department of Defense, 1976
- (d) DoD Directive 2000.9, "International Coproduction Projects and Agreements Between the U.S. and Other Countries or International Organizations," January 23, 1974
- (e) thru (g), see enclosure 1

A. REISSUANCE AND PURPOSE

This Directive reissues reference (a) to update and reaffirm DoD's policy of economic cooperation with Canada and to reflect primary staff changes in the Office of the Secretary of Defense.

B. APPLICABILITY

The provisions of this Directive apply to the Office of the Secretary of Defense, the Military Departments, the Organization of the Joint Chiefs of Staff, and the Defense Agencies (hereafter referred to as "DoD Components").

C. POLICY

1. The United States and Canada have coordinated their defense economic efforts since World War II. This policy had its origin in the Hyde Park Agreement of April 20, 1941, and was more fully elaborated in reference (b). Since that time, the policy has been periodically reaffirmed at the highest levels of the two governments.

2. The policy of the United States is to maintain and strengthen defense economic cooperation with Canada. This policy is based on the recognition that the United States and Canada have a mutual interest in the defense of North America, and is consistent with both countries' responsibilities as North American partners in the North Atlantic Treaty Organization. The objectives of the policy are to:

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- a. Promote a strong, integrated, and more widely dispersed defense industrial base in North America.
- b. Achieve the most economical use of research and development (R&D) and production resources.
- c. Foster greater standardization and interoperability of military equipment.
- d. Remove obstacles to the free flow of defense equipment trade.
- e. Encourage the exchange of information and technology.
- f. Accord equal consideration to the business communities of both countries.

3. In pursuit of this policy, the United States and Canada have agreed that their defense economic relationship shall be administered in such a manner as to ensure the maintenance of a long-term balance at the highest practicable level in the reciprocal purchase of items of mutual defense interest. This agreement is based on the principle of equity rather than symmetry, and recognizes the differences in capabilities and capacities of the defense-oriented industries in the two countries and the relative sizes, structures, and materiel requirements of the U.S. and Canadian armed forces. Furthermore, Canadian industry is uniquely recognized as an element of the industrial base in the DAR, Section 1 (reference (c)).

4. The regulations covering the acquisition of defense supplies from Canadian sources are contained in the DAR, Section 6 (reference (c)). Coproduction and dual production programs shall be in accordance with DoD Directive 2000.9 (reference (d)).

5. In addition to normal competitive bidding for U.S. defense R&D contracts, the defense cooperation arrangement includes a provision for Canadian firms to obtain R&D contracts that are jointly funded by the United States and Canada, with the U.S. share a minimum of 25 percent, to meet purely U.S. defense requirements. Such contracts are under the design authority of the Military Departments.

6. The International Traffic in Arms (reference (e)) recognizes the unique U.S.-Canadian relationship, and permits U.S. firms to export unclassified technical data on the U.S. Munitions List directly to Canada for end-use in that country. U.S. prime contractors may also export, without a Government license, unclassified technical data to potential Canadian sources of defense items for the manufacture of U.S. Munitions List military equipment that is to be delivered back to the U.S. prime contractor or an agency of the U.S. Government.

#### D. SECURITY

Defense economic cooperation with Canada results in an extensive exchange of information and equipment. In this environment of close collaboration, it is imperative that proper attention be paid to security considerations. U.S.

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activities shall be consistent with the Defense Industrial Security Program, DoD Directive 5220.22 (reference (f)). Disclosure of classified military information shall be governed by DoD Directive 5230.11 (reference (g)).

**E. RESPONSIBILITIES**

1. The Assistant Secretary of Defense (International Security Affairs) shall:

a. Provide policy guidance to DoD Components on defense economic cooperation with Canada.

b. Monitor the progress of cooperative efforts undertaken in pursuit of this policy, with the Assistant Secretary of State for European Affairs.

2. The Under Secretary of Defense for Research and Engineering shall:

a. Coordinate the development and production sharing programs with Canada within the Department of Defense.

b. Coordinate the industrial mobilization activities between the two countries.

c. Designate the DoD representative to serve as U.S. chairman at meetings between the two countries on defense economic cooperation and in meetings of joint steering committees on defense development and defense production sharing

**F. EFFECTIVE DATE AND IMPLEMENTATION**

This Directive is effective immediately. Forward one copy of the implementing document to the Assistant Secretary of Defense (International Security Affairs) within 120 days.

*W. Graham Claytor*  
W. Graham Claytor, Jr.  
Deputy Secretary of Defense

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Enclosure - 1  
References

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Dist	AVAIL. & INFOR Special
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REFERENCES, continued

- (e) Department of State, "International Traffic in Arms (ITAR)," February 1976  
(22 CFR 121-128)
- (f) DoD Directive 5220.22, "Department of Defense Industrial Security Program,"  
December 1, 1976
- (g) DoD Directive 5230.11, "Disclosure of Classified Military Information to  
Foreign Governments and International Organizations," March 2, 1979